

# **Briefing Paper**

## **2017-18 NSW Budget**

### **170620**

## **Introduction**

NSWIC attended the NSW Budget lock-up in Sydney on Tuesday 20 June held before the public release of the budget documents.

Treasury officials were available to answer general questions or to refer specific questions to Departmental officials via telephone.

The Treasurer, the Hon. Dominic Perrottet today delivered the State Budget. We have summarised the highlights from today's budget in this Briefing Note.

Full Budget documents are available at:

[www.budget.nsw.gov.au](http://www.budget.nsw.gov.au)

## **This Briefing**

This document does not purport to be full summary of the entire Budget. It was prepared in the two-hour timeframe available and hence focuses on the key initiatives of relevance to the irrigation industry in NSW.

## The Budget in Overview

The key number of this year's budget is the projected \$4.5 billion surplus which is 0.8 billion higher than last year's forecast. The 2016-17 surplus is due to the once-off revenue associated with the asset recycling scheme and the higher than expected distributions from NSW Self Insurance Corporation. The budget is forecast to average a surplus of \$2 billion from 2017-18 to 2020-21.

Economic growth in 2016-17 was 3.5% and the economic outlook remains positive with above-trend economic growth forecast over the next three years.

The key budget aggregate table is below:

Table 1.1: Key budget aggregates

	2016-17 Revised	2017-18 Budget	2018-19 Forward Estimates	2019-20 Forward Estimates	2020-21
Revenue (\$m)	78,008	79,885	80,224	82,471	83,770
Revenue growth (per cent pa)	4.7	2.4	0.4	2.8	1.6
Expenses (\$m)	73,537	77,186	78,098	80,939	82,270
Expense growth (per cent pa)	5.3	5.0	1.2	3.6	1.6
Budget Result (\$m)	4,472	2,698	2,126	1,532	1,500
Per cent of GSP	0.8	0.5	0.3	0.2	0.2

Expenses are forecast to be higher across the forward estimates compared to the 2016-17 Budget which is driven by additional measures to support housing affordability, education, and health.

Key economic performance indicators are below:

New South Wales	2015-16 Outcomes	2016-17 Forecasts	2017-18 Forecasts	2018-19 Forecasts	2019-20 Projections	2020-21 Projections
Real state final demand	4.4	3¼	3½	2¾	-	-
Real gross state product	3.5	2¾	3	2¾	2¾	2½
Employment	3.8	¾	1¾	1¾	1½	1¼
Unemployment rate <sup>(b)</sup>	5.4	5	5	5	4¾	4¾
Sydney consumer price index <sup>(c)</sup>	1.5	2	2¼	2¼	2½	2½
Wage price index	2.1	2	2¼	2½	2¾	3
Nominal gross state product	4.9	5¾	4¾	4½	4¾	4¾
Population	1.4	1½	1½	1½	1½	1½

(a) Per cent change, year average, unless otherwise indicated

(b) Year average, per cent

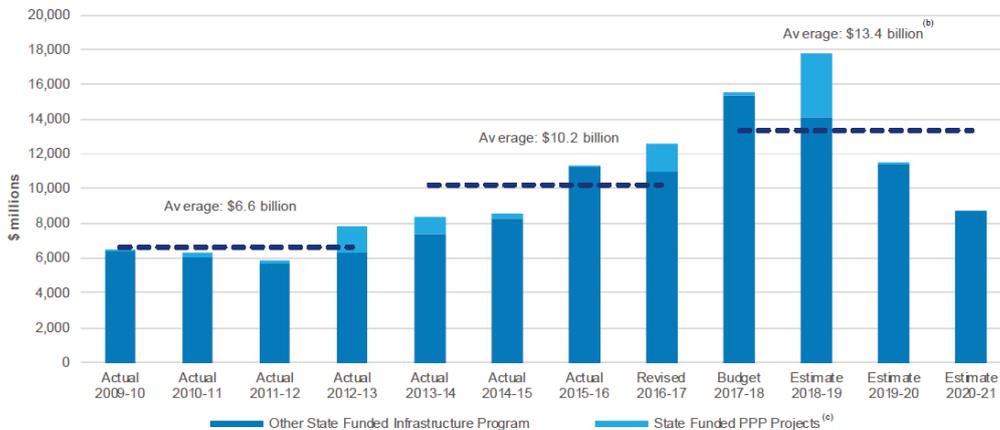
(c) 2015-16 to 2020-21 includes a ¼ percentage point contribution from tobacco excise increases

Source: ABS 5206.0, 5220.0, 6202.0, 6401.0, 6345.0, 3101.0 and Treasury

Budget Paper 1 also raised the partial long-term lease of the NSW electricity network businesses, (i.e. Endeavour Energy reflected for the first time in this Budget). This follows the inclusion of the Ausgrid lease in the 2016-17 MYEFO. The full \$2.2 billion in Asset Recycling Initiative payments from the Commonwealth Government is therefore included in this year's NSW budget. The receipt from the Asset Recycling Initiative is being transferred

to the state government's \$72.7 billion infrastructure program which will roll out over the next four years (outlined below):

Chart 1.2: State-funded capital expenditure program<sup>(a)</sup>



The NSW Government has committed 30 per cent of all *Restart NSW* spending to regional and rural areas. Of the \$20 billion *Rebuilding NSW* plan, \$6 billion is targeted for regional areas.

New regional investment in the 2017-18 Budget includes:

- \$1 billion (reserved through Restart NSW) for the Regional Growth: Economic Activation Fund.
- *Repurposing* \$1 billion of Restart NSW funding for the Safe and Secure Water Program, commencing in 2017-18 to provide a clean and reliable water supply for rural and regional NSW<sup>1</sup>.
- \$107.1 million for Regional Water and Waste Water Backlog program to drought - proof regional communities by boosting essential water and waste water services, including the construction and upgrade of sewerage treatment and water treatment plans. There are currently 37 water and waste water infrastructure projects.

In addition, further regional investment in this year budget include:

- Over \$500 million for rural and regional hospital;
- \$583 million for the Regional Road Freight Corridor program;
- \$341 million for Regional Growth Roads;
- \$200 million over 3 years towards a Stronger Country Community Fund;
- \$100 million over four years for a Regional Cultural Fund;
- \$84 million for the Regional Freight Pinch Point and Safety program to improve key freight corridors;
- \$39 million for *Bridges for the Bush* to replace or upgrade bridges in regional NSW.

<sup>1</sup> Additional information on water related budget items are below.

## Water

It is becoming increasingly difficult to disaggregate budget items that exclusively relate to DPI Water or WaterNSW. All water related budget items are now aggregated within the 'Industry' or 'Planning and Environment' cluster. Neither of these two clusters provide specific Full Time Equivalent staff numbers or departmental budget expenses, except for the Water Administration Ministerial Corporation in budget paper 3. Total expenses (excluding losses) are \$53 million and are forecast to increase to \$56 million in 2017-18 – however the budget papers do not provide operational expenses for WAMC *employee* related expenses or the FTE for either DPI Water or WaterNSW.

The two most relevant programs in the 'Industry' cluster for water are:

- 'sustainable use of and access to natural resources' and;
- 'risks managed for natural resources, farming and food.'

The "sustainable use of and access to natural resource" program is forecast to spend \$253 million (\$233 million recurrent expenses and \$20 million capital expenses) on the "sustainable use and access to land and natural resources". This program area had 458 FTE in 2016-17 and is forecast to decrease by 7 FTE in 2017-18.

The "risk managed for natural resources, farming and food" program is forecast to spend \$280 million (\$254 million recurrent expenses and \$25 million capital expenses) on risks management for natural resources, including \$75 million for the continuation of concessional loans under the Farm Innovation Fund to assist primary producers to prepare for future droughts.

Under the "Planning and Environment" cluster<sup>2</sup>, there is additional information for environmental water. In the 'ensuring vibrant natural asset' program category (Budget Paper 3), it is stated that \$9 million will be spent on planning and managing the delivery of environmental water, through "maintaining and restoring important rivers and wetlands, in partnership with local communities". In addition, the budget papers outlined that 553.4 GL of environmental water was delivered in 2015-16, followed by 1,290 GL in 2016-17. In 2017-18 it is projected that 800GL of environmental water will be delivered.

In the same broad cluster, the 'building resilience to environmental hazards' program category will also have \$96 million allocated to deliver outcomes that minimise the impact of climate change. This investment forms part of the five year \$1.4 billion climate change funding package.

In the media release from the Minister for Primary industries, Rural Water, Trade and Industries, the Hon. Niall Blair, it is stated that NSW will invest almost **\$2 billion** in bolstering the State's primary industries and natural resources and securing water resources.

Water specific items in the 2017-18 Budget include:

- \$1 billion in Restart NSW for the Safe and Secure Water Program, commencing in 2017-18 to provide a clean and reliable water supply for rural and regional NSW<sup>3</sup>.

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<sup>2</sup> Which includes the NSW Office of Environment and Heritage

<sup>3</sup> This is not new funds.

- \$78 million for sustaining the Basin, including the Irrigated Farm Modernisation program to support water efficiency infrastructure for irrigators.
- \$18 million to continue to deliver the Murray-Darling Basin Plan, focusing on maximising the productive use of water and provide certainty for NSW communities.
- \$8.8 million (2017-18) in infrastructure expenditure for a water monitoring framework;
- \$2.5 million (2017-18) in infrastructure work for water reform in the Murray Darling Basin.
- \$4.5 million for the Nimmie Caira System Enhanced Environmental Water Delivery Project
- \$5 billion in capital investment for water and waste water programs in the four years to 2020-21 totals (including upgrades for dams, fishways and reservoirs<sup>4</sup>).
- \$692,000 for the implementation of the Aquifer Interference Policy.

In addition, \$39 million in capital investment is allocated for coastal infrastructure and regional ports, including \$10 million for the delivery of the Coastal Infrastructure Program to repair and upgrade breakwaters and training walls.

There are no further specific budget items for Snowy Hydro Limited, except a note in budget paper 1 that pointed to the feasibility study for Snowy 2.0 which is expected to be completed by the end of the 2017 calendar year.

There is also an interesting note on Sydney Water investing \$156 million in its information technology project CxP. This project is supposed to be a single enterprise solution for customer interaction and will also deliver new billing and customer management systems.

## **Broader Agricultural Measures**

Minister Blair's Media release highlighted \$2 billion in investment for Primary Industries. Over and above the measures announced above are:

- \$182 million for Local Land Services, including additional funding for LLS to support farmers in implementing land management and biodiversity reforms;
- \$75 million for the continuation of concessional loans under the Farm Innovation Fund to assist primary producers prepare for future drought;
- \$22 million towards reducing foodborne illness and increasing consumer education into food safety
- \$12 million (over four years) to remove stamp duty on crop and stock insurance;
- \$13 million towards balancing environmental and Aboriginal cultural heritage and commercial use of the Nimmie-Caira landscape.
- \$6 million over four years towards the Young Farmer Business Project to support the next generation of farmers entering and expanding into the business and agriculture, with a focus on building their skills to manage risks and make sound business decisions;
- \$1.5 million over three years towards the Aboriginal Fishing Trust Fund to support Aboriginal commercial fishing.

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<sup>4</sup> No further information is available

In addition, the 2017-18 Budget included:

- \$10 million to support trade and investment activities that create jobs across NSW (including funding the network of export advisers around regional NSW which support the state's \$7.4 billion food and agricultural exports and funding for the NSW Government's offshore trade network in 10 priority markets).
- \$14 million for the Office of the Chief Scientist and Engineer through the Research Attraction and Acceleration Program to leverage external funding for high impact research;
- \$1 million a year for three years to support the Innovation and Productivity Council to conduct research and develop advice for boosting innovation to improve the productivity of the broader NSW economy, including a focus on small, medium and regional business.

Investment in regional infrastructure under Rebuilding NSW includes:

- Bridges for the Bush: \$38.8 million
- Fixing Country Roads \$54.2 million
- Fixing Country Rail \$11 million
- Regional Growth Roads: \$408.8 million
- Regional Road Freight Corridor \$223.3 million
- Regional School Renewal Program \$648.5 million.

## **Mining, CSG, Electricity Measures**

Minister for Resources, Energy and Utilities, the Hon. Harwin announced:

- \$1 billion in energy rebates over four years to help address cost of living pressures<sup>5</sup>.
- \$119 million from the Climate Change Fund to boost energy security;
- \$38.2 million to enable, support and focus the mining and petroleum industries on prevent workplace injury and illness;
- \$24 million in initiatives funded from the Coal Innovation Fund, including \$5 million in grants for research programs to reduce emissions from coal;
- \$6.5 million for New Frontiers Initiatives in support of mineral and petroleum exploration in regional NSW;
- \$1.1 million to complete final actions in the Renewable Energy Action Plan.

In addition, the Planning and Environment cluster will spend \$102 million on activities associated with exploration and regulated access to geological resources. Key activities include;

- Collecting and disseminating geological, geospatial, and geophysical data
- Regulating the resource sector;
- Management environmental security bonds and the remediation of legacy sites as well as current exploration sites

Furthermore, the Planning and Environmental cluster is also expected to spend \$462 million on policy and programs aimed at "securing an affordable, reliable and sustainable energy future". The program includes provisions of electricity, water and gas rebates to assist

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<sup>5</sup> Mainly for vulnerable or low income households.

eligible customers with the costs of these services and the work of the Independent Pricing and Regulatory Tribunal to monitor the competition and the effectiveness of NSW electricity, gas and water markets. Under this funding program, money is set aside to coordinate the Renewable Energy Action Plan, and implementation of the Climate Change Fund strategic plan.

The Planning and Environment cluster will also spend \$197 million on supporting economic development and efficient use of resources to protect the land use planning system.